

Hon Dr Sally Talbot; Deputy President; Hon Jacqui Boyde; Hon Alanna Clohesy; Hon Martin Aldridge; Hon Stephen Dawson; Hon Adele Farina

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## ELECTRICITY CORPORATIONS AMENDMENT BILL 2013

### *Second Reading*

Resumed from an earlier stage of the sitting.

**HON SALLY TALBOT (South West)** [5.10 pm]: Mr President, I will not go over the points that I made earlier in this debate, other than the very last point that I made, because I am sure other honourable members in this place will agree with me that nothing is quite as effective in making one lose one's train of thought than seeing your face, Mr President, as the clock ticks towards the moment at which you are going to cut us off.

The very last point that I was making was that if we were looking at a different sort of bill—namely a bill to extend the disaggregation of Western Power and extend the moves that the Labor government made in 2005 to increase competition and put downward pressure on wholesale electricity prices—we would have no trouble in finding a genesis for that idea. The fact is that all the government's rhetoric up until 10 March 2013 supported the existing system. It supported the regime that had been put in place by the Labor government in 2005, with the support of Liberal members of this Parliament. However, when we look for the genesis of this bill, we find nothing. Indeed, what we find—this is the point I was making—is contradictory points of view. We need go no further than a comment made by the former Minister for Energy, Hon Peter Collier, now the Leader of this House, and, in another incarnation, Minister for Education, on 26 August 2009, when he said —

I'm of the view that the merging of Synergy and Verve will not solve the problems as they currently exist, therefore the government will not be following this path.

That was August 2009. The Liberal–National government had been in power at that stage for only 11 months. Perhaps the government has made discoveries since that time that have led it to go down a completely different path. However, if that is the case, the government has not been prepared to put that on the record. I again put it to the house that the opposite is true. Every public utterance by Hon Peter Collier, the former minister, between 26 August 2009 when he made that comment, and 10 April 2013, suggested that the government was opposed to a re-merger of Synergy and Verve. I do not make that claim because of a lack of evidence that the government was plotting to do this. I make that claim on the basis that the government made a lot of policy statements during that three and a half to four years after the former Minister for Energy promised that no merger of Synergy and Verve was on the table. I will go into more detail about that documentation later if I have time.

It is now 3 December 2013, and we have only five and a half more sitting days before this place gets up for the summer recess. We are debating a bill that I assume the government wants to get through this place before we go home for the recess or go back to our electorates for the recess. The provisions of this bill are supposed to come into effect on 1 January 2014. That is in less than one month. Yet we have not heard any arguments from the government in this place about any aspect of this bill. We have not even heard an argument about why we need to deal with this bill before we get up from this place for the summer recess. We have certainly not heard any substantive arguments from members of the Liberal Party or the National Party about the merits of this bill. I therefore ask again: who wants this bill? We are very used in this place to weighing up competing arguments. That is what the business of this chamber is supposed to be about. We are supposed to look at two cases or several cases and at the arguments that support those cases and decide on the merits of those arguments what path this house will choose to take. Obviously there will be times when strong ideological differences and policy differences divide each side of this house. But it is not clear to me that any ideological differences are at play here. It is not clear to me that we are talking about a strongly held belief on the part of members of the Liberal Party and the National Party. Were we talking about a strongly held belief on the part of government members, one would think that those comments would have been put in support of the bill. However, as I have said, apart from the Premier and the Minister for Energy in the other place, who have been trying to put the arguments in support of the bill, we cannot find arguments from any other government member in support of this bill.

Therefore, when I go to my electors in the south west of this state, in my electorate of South West Region, I will not be able to put to them any competing arguments from the government as to why this bill will be a good thing for them. I am happy to explain to each and every one of my electors, and each and every member of the communities in the south west, why I think this bill will be a bad thing for them, and that is what I intend to do, using the debate in this place as the vehicle to do that. I think this bill will be a very bad thing for my electors. I do not think it will deliver what the government claims it will deliver. It certainly will not deliver increased competition. It will not deliver downward pressure on the wholesale price of electricity. The most important thing for my electors in the south west is that this bill most definitely will not deliver downward pressure on retail electricity prices. As honourable members on this side of the chamber who have spoken before me know, that is what most concerns our electors. The people who walk into our electorate offices day after day, and the

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people who write, email and phone our offices, want to know what can be done by government about the high cost of electricity. All I can say to them is that nothing that this government is doing will have any effect on putting downward pressure on retail electricity prices.

We have to ask why this is the case. It appears that nobody other than the Premier wants this merger to go ahead. I cannot say anything about the minister, because we obviously uphold certain standards in this place. I always remember that the former and most estimable Clerk of this place, Laurie Marquet, opened his contribution to my induction session as a fledgling member of Parliament by saying that he was proud to say that in the other chamber they have the politicians, and in his chamber they have the parliamentarians. We maintain certain standards in this place; therefore, I know that if I use the kind of extraordinary language that was used in the other place, you, Madam Deputy President, will probably rule me out of order. But I will quote from *Hansard* of the other place. It was suggested that the minister had done such a bad job of trying to explain the benefits of the bill because he was either too incompetent, too lazy or too stupid to do his job properly. I think it may be any of those things, without repeating such injudicious language. I think it also might be because he does not believe in it. And that is at the core of the problem. Nobody on the other side of this chamber is prepared to come in here and argue the merits of the case, because, fundamentally, they do not believe in it. Fundamentally, what members of the government believe is what was sold to them as the merits of the original case for disaggregation—that is, increased competition in the market, downward pressure on wholesale prices and making suppliers shop around for the best prices. That is what honourable members opposite believe. Of course, they know that this bill goes against the very tenets of their belief system, and that is why I suggest that they are all silent. I think this has affected the minister's defence of this bill.

We had an extraordinary situation recently, but it was not in relation to this bill; it was in relation to a bill that we will look at in this place presumably sometime next year. The usual briefing was put on for members of Parliament by officers from the department, and maybe people from the minister's office, to explain to members of Parliament clause by clause what a certain bill meant. I am told—I was not there myself—that the minister in question, the Minister for Local Government, actually turned up at this briefing, which was an extraordinary thing. Nobody had ever seen a minister go to a briefing on a bill that he or she had carriage of!

**Hon Sue Ellery:** Maybe he needed to understand what was in the bill himself.

**Hon SALLY TALBOT:** That is exactly my point, Hon Sue Ellery. It was pretty clear. I am told by those who were there that the reason the minister went to the briefing on his own bill was to try to find out what the hell was going on in his portfolio.

I was one of several members on this side of the chamber who had an excellent briefing from people from the department about this bill. I see that they have to endure the agony of sitting through what is clearly going to be a long debate. It was an excellent briefing. I was a little disappointed that it was not on the bill; it was on the regulations, which do not actually exist yet. Nevertheless, we got the briefing from people who clearly have a deep understanding of what the bill is trying to do. I am a bit disappointed that the Minister for Energy did not come to that briefing, because I think it would have been quite useful for him. I was equally disappointed that the former Minister for Energy did not come, because he might have got some key lines from some of the people who have been dealing with energy legislation obviously for a couple of decades and who know this field inside out. Sadly, that was not the case; only backbenchers and members of the opposition were at that briefing. The minister clearly missed out on an opportunity to find out what the hell is going on in his portfolio.

I ask honourable members—not on my side of the chamber because we have all done our homework and we are absolutely steadfast in our opposition to every aspect of this bill—of the Liberal and National Parties whether there is a plan. What are we supposed to be doing here? I am reminded of that wonderful line from the Batman movie in which Heath Ledger plays the Joker. There is this great scene in which the Joker gets into the usual catastrophic situation that he always gets into and he slithers down the outside of a building and ends up in a messy heap covered in blood and obviously in a pretty parlous state. Somebody says to him, “What’s the plan?” and he says, “Do I look like a man with a plan?” I am sorry, Madam Deputy President, but when I look at the Minister for Energy, I have to ask the same question: does he look like a man with a plan? No, he does not. He looks like a man who has been asked to sell the unsellable. He has been asked to sell something to the Western Australian community that, fundamentally, he does not believe in.

I do not make those comments lightly. It is a big responsibility being a minister of the Crown. It is a position that carries enormous power and influence. It would be nice to think that our ministers of the Crown in Western Australia took their responsibilities sufficiently seriously to devise pieces of legislation that they can sell to the Western Australian community with their hands on their hearts. I think the minister in the other place does have some understanding of his task as energy minister. As Hon Ken Travers referred to, there is a sense that the honourable minister in the other place has been put into the position of trying to get the Premier's agenda

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through. The Premier was clearly failing to get his agenda through with the previous minister, Hon Peter Collier. Maybe the Premier sees the current minister, Hon Mike Nahan, as a bit of a troubleshooter or a doer in receiving a set of instructions and implementing them.

When I was doing some research into the background of this bill, I found a set of very clear statements about what the minister believes in. It was quite refreshing. I have waded through all this gobbledegook and every time this topic comes up in the other place, members of the Liberal and National Parties flounder when trying to find something to say. We found some nice clear statements from the Minister for Energy. This is from an article on page 1 of *The Weekend West* of Saturday, 21 September 2013. It was an exclusive by Daniel Mercer and Gareth Parker. It is headed “Power shake-up” and states —

The Barnett Government is preparing a long-term plan to sell WA’s power utilities that would reap billions for taxpayers but place critical electricity infrastructure in private hands.

Energy Minister Mike Nahan revealed the proposal —

Thank goodness we have an energy minister who is actually out there talking about his plans for the energy sector —

as he outlined a shake-up of the State’s energy system that would introduce competition for the consumers’ dollar for the first time.

I can tell members that the electors of Western Australia must have sat bolt upright in their seats at the breakfast table as they read that and thought, “Thank goodness; at last we have got a clear direction from the energy minister. He’s going to sell all the state’s energy assets.” The article continues —

It is believed electricity prices would have to rise up to 10 per cent for the plan to be implemented, —

I think they would have slumped a bit in their seats at the breakfast table when they read that, although the community has got very used to these colossal increases in electricity prices since this government was elected in 2008 —

though energy economists claimed it would eventually drive tariffs down through competition.

This, of course, is real Liberal Party speak. This is the good stuff. This is when the red blood courses through Liberal Party members’ veins; this is when they get the sparkle in their eye, even if it might be only in their right eye—that is, when they start talking about driving tariffs down through competition. There is even a calculation in the article of the likely saving. It states —

A typical household customer now pays about \$1510 a year.

The minister has talked about there being a significant decrease in the amount paid per household per year. He was quite specific. He said that he wanted generator Verve and retail Synergy—this had already been announced of course on 1 January. I will start again because this is very confusing. It is very important that members understand exactly what the Minister for Energy said. He said that he wants generator Verve and retailer Synergy to be merged on January 1 to be split into two or more competing businesses within five years.

We need to be a bit of a grammar expert to understand this sentence. It does not say he wants generator Verve and retailer Synergy to be merged on 1 January. It says that he wants generator Verve and retailer Synergy to be split into two or more competing electricity businesses within five years. I am sure the *Hansard* will show beautifully how that is set out grammatically. All of a sudden, the minister is saying in September 2013 that he wants a different outcome from the one contained in this legislation that is being debated in the Parliament of Western Australia. This is where some of our colleagues in the other place got themselves into a bit of trouble because a couple of them had problems with the concept of “gentailer”. The minister clearly says that the companies known as gentailers—not genitalia, which is why some people got a little bit confused. That was because they are politicians and we are the parliamentarians; we do not have any trouble with the term “gentailers”—because they generate their own electricity and then sell it to households, and it is not a complicated concept, who would compete for customers. The article says that the minister was in an expansive mood when he outlined his vision for the energy sector in Western Australia; he confirmed that the gentailers would eventually be privatised and Western Power, which controls the vast network of poles and wires in WA’s south would be quarantined. The minister said that we have to get Synergy and Verve in a good state to find out what they are valued at.

It may be that at the end of that article the community of Western Australia was slightly bemused about what the energy minister was doing, given that in outlining his vision, he seems to have directly contradicted the content of this legislation with his vision. But at least he was outlining a vision. Hurray! We have a Minister for Energy with some vision. That is not to say the previous minister did not have vision. If I have time I will talk about his vision. Unfortunately, it is nothing like the Premier’s vision and, I think, nothing like that of the current energy

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minister. It is a little hard to say, though, because two days later the current energy minister muddled the water considerably. Remember that the first article was Saturday, 21 September 2013. On Monday, 23 September, two days later, there is another headline—on page 12 this time—which was obviously not as dramatic as the minister's vision, which made page 1 on the weekend. On the Monday the paper carried the headline, "Business backs power privatisation" and stated —

WA's biggest business lobby has thrown its weight behind the Barnett Government's long-term plan to privatise electricity utilities, arguing it will ultimately lead to lower power prices.

Hurray! Now the government even has the business community signed up to this vision because it is reflecting something that everyone knows is dear to the Liberal Party's heart. It is about introducing competition and lowering prices. The article further states —

The WA Chamber of Commerce and Industry's endorsement comes after Energy Minister Mike Nahan revealed plans that would allow households to choose where they bought their electricity from for the first time

That was the Monday, two days later, when the big end of town was signing up to the energy minister's vision for gentailers. Remember, his vision for gentailers is that he does not want Verve and Synergy merged; he wants them separated so that they can accurately gauge their market price prior to introducing specific forms of competition, and somewhere down the track looking at selling them—all to drive down retail prices. But then, lo and behold, five days later, on Thursday, 26 September, we see the headline on page 16 of *The West Australian* "Premier pulls plug on power privatisation". It states —

Premier Colin Barnett has slapped down key elements of his Energy Minister's reform blueprint, opening a confusing policy rift within the State Government.

Mike Nahan outlined his agenda for the State's electricity market in an interview with *The Weekend West*. It involved merging retailer Synergy and generator Verve Energy, before splitting it into two "gentailer" companies within five years.

Those entities would compete for customers and ultimately be privatised some time beyond the next State election in 2017 under Dr Nahan's plan.

Dr Nahan, the Minister for Energy, had a plan. Do not tell me this was just some kind of thought bubble. What minister goes out on a Friday, which is when he must have talked to the media, and outlines a vision for the energy sector? On Friday the Premier is silent; Saturday, the Premier is silent, which was the day when the big end of town came out and said, "Yes, we like this. For the first time there might be some sense of leadership in the energy sector in Western Australia." The Premier is silent on Friday, Saturday, Sunday, Monday and Tuesday. Presumably, some time on Wednesday, the Premier pulls the plug on the minister's vision. What an extraordinary sequence of events. No wonder not one single member of the government, whether in the Liberal or the National Party, is prepared to come into this place and contribute to the second reading debate.

**Hon Peter Collier:** It hasn't finished yet.

**Hon SALLY TALBOT:** Not one single member has sought the call in two and a half full days of debate on this bill. There is a little sequel to this sad story I am outlining. On Wednesday, 2 October, the *Canning/Victoria Park Examiner* contained a statement that Dr Nahan—this newspaper calls him Mr Nahan, but I will call him Dr Nahan—denied claims that there was a division between himself and Mr Barnett. Presumably the minister was trying to clarify the situation. I am not sure that he succeeded in doing this but I will let honourable members make up their own mind. In the *Canning/Victoria Park Examiner* of the first week of October, he stated that there was no uncertainty on the future of the energy sector in Western Australia and there certainly was not a lack of communication between himself and the Premier.

I am sorry, but I have been through the details of what the minister said when he said he wanted Verve and Synergy split to get their true value and then to sell them. The Premier said, "No, we will not do any of that." A week after all these shenanigans, the minister has said that there is no uncertainty for the future of the energy sector in Western Australia. He wants to talk to the major players in the energy sector. I am sorry; if he can get a single one of those major stakeholders down there on the terrace to say, "I agree with the energy minister; there is no uncertainty about the future of the energy sector in Western Australia", I will go he. They simply will not say that. Every single player in this arena has come out in opposition to the direction that the government is taking, not because they have some kind of deeply held ideological belief about the direction we should be taking, but because, in their view, the government is seriously misguided. All the government is doing by re-merging Verve and Synergy is reintroducing that degree of protection into the industry—all those structural inefficiencies that motivated the Labor government to disaggregate Western Power in the first place. That is

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what everyone in the energy sector is saying and why no-one on the other side of the house is prepared to come into this place and stick up for a piece of legislation that they are asking us to wade through.

**The DEPUTY PRESIDENT (Hon Adele Farina):** Member, I take this opportunity to let you know that you have about six minutes left.

**Hon SALLY TALBOT:** Thank you, Madam Deputy President. We on this side of the house can count. We know that steadfast opposition members, which we are outlining to the government will not be enough to win the day when this bill comes to a vote, are absolutely determined that not one element of this bill that we oppose will go unexamined as it proceeds through this house. That indeed is the role of this place. The role of this place is sometimes to use the numbers to make substantive changes to legislation, but when we know that is not going to be possible, the role of the opposition in this place is to try to get on the record exactly what the government expects to happen as a result of the legislation it is putting through this place. That is so that down the track in years to come we can go back to the government and the community can go back to their local members of Parliament and say, "I've just read what you said in December 2013. You said this and you said that. You said that merging Verve and Synergy would make the energy sector more efficient. You said it would drive down retail prices. Well, it hasn't done that. What have you got to say now?"

That of course is beside anything to do with what the legal processes say about the way in which this place operates. The extent to which members of the government put remarks on the record in these debates is very significant for the future of a sector such as the energy sector in this state. That is because people will go back and read *Hansard* and they will see what government members were promising. They will see the responses from government members to the specific questions that we will bowl up to them throughout this debate and people will be able to hold them accountable.

At the moment I think the community's breath has been taken away by the sheer effrontery of a government that went to an election on 9 March saying that it would not merge Verve and Synergy; and then 32 days later broke that promise. It took the government 32 days, from 9 March to 10 April, to break that promise. When on 10 April the Premier, as part of an economic statement, said that chief among the proposed changes was the re-merger of Verve and Synergy, we could have heard the collective jaw hit the ground all over Western Australia.

The minister and the Premier had made it clear in every single month up to the state election that Verve and Synergy would not be re-merged. It had been made very clear to industry stakeholders that there would be no re-merger. The government had not been silent on energy policy during that time. Indeed, the former minister, Hon Peter Collier, had released two very substantial policy documents during the time he was energy minister. The first document "*Energy2031: Strategic Energy Initiative: Directions Paper*" of March 2011 was a very substantial document, which was obviously meant for discussion and consultation with the sector and the community. Then some 15 months later in August 2012 the final paper "*Strategic Energy Initiative: Energy2031*" was released.

The previous minister therefore had not been sitting back failing to take the initiative on talking about the future of the sector. We have two very, very substantial documents. Do those documents refer anywhere to reversing the disaggregation that Labor put through in 2005? No, they do not. In fact these two documents use the language of that disaggregation. If we go back and compare some of the key terms, we can see that all the language is there to reassure people that the disaggregation system will continue.

One thing I found at the back of the directions paper was a disclaimer. It is the standard disclaimer that governments use when they put out discussion documents. But does it not make bitter reading to find in that document of March 2011 the following statement? It reads —

The State of Western Australia nor any of their respective officers, employees and agents:

- 1) Make any representation or warranty as to the accuracy, reliability, completeness or currency of the information, representations or statements in this document ...
- 2) Shall be liable, in negligence or otherwise, to any person for any loss, liability or damage arising out of any act or failure to act by any person in using or relying on any information, representation or statement contained in this document.

The information and advice contained in this document is provided in good faith. However, the accuracy and appropriateness of that information and advice is not guaranteed.

What a sad thing to find! The standard legal disclaimer at the back of a government document has in fact done the full circle, so that we can apply that disclaimer about the accuracy and appropriateness of the information in that document to every single element of the newly revealed vision for energy for this state from this Liberal—

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National government. That is, nothing that the government proclaimed up until 10 April 2013 has proved to be accurate. It may or may not have been given in good faith—I could not possibly comment on that—but certainly not one piece of information the government provided was accurate. And now it has to walk away from years and years and hundreds of pages of policy advice on this bill that bears no resemblance to anything that it has ever talked about before 10 April this year.

Madam Deputy President, is that my wind-up look?

**The DEPUTY PRESIDENT:** Yes, it is.

[Member's time extended.]

**Hon SALLY TALBOT:** Does that give me another 15 minutes?

**The DEPUTY PRESIDENT:** Yes.

**Hon SALLY TALBOT:** Thank you, Madam Deputy President.

[Interruption.]

**Hon SALLY TALBOT:** That noise is because I set the timer on my laptop to “boing” and it is on silent, so I do not know why it is “boinging”. I am very sorry about that, Madam Deputy President. It is lucky that it is you and not the President sitting in the chair!

I thank the house for the extension of time, which gives me the opportunity to make a couple of more references to these very extensive policy documents that the government had already released by the time we got to the election. They do indeed make stirring reading, apart from some very glamorous photographs of the previous Minister for Energy at the front of the documents and the fact that he is making all the right noises. If I were an energy stakeholder down on the Terrace, I would have been pretty happy to see this “*Energy2031*” document. There is no space, by the way, between “*Energy*” and “*2031*”, which is just to show how modern the government is being! I would have been quite heartened by this document if I were an energy stakeholder. In fact when I read a document like this, it makes me think that in certain modes there is not that much difference between the kind of policy the Labor government was pursuing with disaggregation and the vision of the previous Minister for Energy. That is because he starts off his introduction to the final document, which was supposed to be a 20-year blueprint for the state, by saying —

Energy is essential to our way of life and it is vital that we have affordable, secure, reliable and cleaner energy into the future.

That is clearly the sort of statement to which any electorate in Western Australia would warm. What does any householder in Western Australia want, apart from what is outlined in this final policy document as the goals? I have to say that I do not approve of the use of the term “goals” in policy documents. Goals are things people score with balls! The term should be “objectives” or “objects”. However, the “goals” are outlined as follows —

- 1) **Affordable energy:** Western Australians have access to affordable energy that meets their needs.

We could all vote for that, could we not? That is what we all want: affordable energy. Unfortunately, of course, that is not what energy consumers in Western Australia have had ever since this government was elected in 2008. The second goal is —

- 3) **Secure energy:** Western Australia’s energy supply is sufficient to meet demand over the longer term.

I have to say there is a big question mark over that objective. It is beginning to appear a fairly substantial proposition that when the Premier goes anywhere near a major project in this state and gives it his blessing that from that moment the project is doomed to fail. Members can look at Oakajee and James Price Point. God forbid that the Premier should come out and endorse any energy project to secure Western Australia’s energy supply! However, it is a laudable objective and one which everybody on this side of the house would agree with.

The third objective reads —

**Reliable energy:** Western Australia’s energy supply is safe and of a consistently high quality and delivered with minimal disruption.

Of course, that is what everybody wants, and everybody would vote for that. Any elector who was trying to make up their mind whether to vote Liberal or Labor on the basis of energy policy would have been pretty happy with that.

The final object in this policy paper reads —

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**Cleaner energy:** Western Australia's energy production and use demonstrates good environmental stewardship and minimises greenhouse emissions.

I have to say there is a very large cloud, which may or may not be of greenhouse gases, hanging over that object as we wait to see which way the Liberal Party will go on the whole question of climate change policy.

All those objectives are highly laudable and were signed off by the former Minister for Energy. One would presume they were taken to the March 2013 state election as the basis of an energy policy for the next 20 years. Sadly, 32 days later, the electorate found that was all based on untruths. Perhaps the saddest part, with the benefit of hindsight, of this "Strategic Energy Initiative *Energy2031*", the final document, is found in part 5, "Achieving the *Energy2031* vision". I imagine that the former Minister for Energy finds this pretty distressing, too, when he remembers that this document states —

The publication of this Strategic Energy Initiative *Energy2031* is a significant milestone, but it does not represent the end of our ambitious plan for the energy sector.

This Strategic Energy Initiative contains a series of pathways and potential supporting strategies. Over time, short and long-term policy decisions and actions will be taken by Governments against this vision for the future. The vision will be achieved through both small steps and significant reforms. The goals of affordable, reliable, secure and cleaner energy will provide strong guidance for decision-makers.

I ask the Minister for Energy to comment specifically on this in his second reading summary at the end of this debate: where in this final policy document does it open the way for the re-merger of Verve Energy and Synergy? The whole point of the *Energy2031* vision is that we have one entity that generates electricity and another entity that sells the electricity. The creative or productive tension between the two of them is ultimately what drives that downward pressure. The fact is that for the first time, with the passage of Labor's bill in 2006, we had two agencies competing in an open marketplace. Where in the former minister's policy document that I have just referred to does it open the door for that re-merging? Frankly, if the former minister is not able to explain it as being one of those steps that he was contemplating at the time—even if he did not write those words, he signed off on them and he has endorsed them, and it is his picture at the beginning of the document—where does all that come from? The answer is far from clear to members on this side of the house, and I ask the minister to address that specifically when he, as the minister with carriage of this bill, responds to the second reading debate.

As I said, it is so obvious it barely needs saying, Verve is the energy generator and Synergy is the retailer. In preparing for this debate I went to the two websites so that I could be absolutely clear in my own thoughts about what it is we are merging. Members will see that Verve Energy has a little subtitle on its website, "Generations ahead". If anyone in Verve forgets what they are doing, they can look at their website and see that they are a generator because they are "generations ahead" Verve Energy owns and operates power stations at Collie. I note that the Collie Chamber of Commerce and Industry is the one and only entity that I have been able to find that actually thought on 10 or 11 April that maybe the re-merger was a good thing. I read their comments and I thought that they were out there protecting the energy generation industry in Collie, and they do a good job of that. But I think that even the Collie CCI, by the time it got to the end of its press conference, realised it was clutching at straws. Verve has power stations in Collie, Kwinana, Cockburn and Pinjar. Verve also has wind farms in Albany, Esperance and Kalbarri. It has wind and diesel systems at Bremer Bay, Coral Bay, Denham and Hopetoun; and it has a solar farm at Greenough River. By feeding all that power into the south west interconnected system, Verve is responsible for something like 55 per cent of all electricity that is generated into the Western Australian market. I have not talked about Horizon Power yet, which is responsible for some part of the remaining 45 per cent, but it is Verve that generates about 55 per cent of the electricity in Western Australia.

I then went to the Synergy website to do the same exercise. I want to share with honourable members, in the few minutes remaining to me, what I found. A large message flashed up on my screen thanking me for visiting the Synergy website. It said that I had been randomly chosen to take part in a brief survey to help Synergy identify what it was doing wrong and where it can improve. I thought, "My goodness, they've got the right person here! I've got some views on this." It could improve by not letting itself be merged with Verve—if it had any say about it! The main thing that occurred to me was that this is clearly Synergy looking for some kind of feedback from its customers, because it is not quite sure what it is doing and where it can improve. I am going to read what the note said because I thought it was a little unusual. It said that the survey would not launch until I had completed my visit and that it would take fewer than five minutes to complete the survey. I said that the results would be anonymous and would be used to help Synergy gain a better understanding of its customers' needs so that it could better service those needs. It said if I wished to participate in the survey once I had finished using the website I should select "yes". Of course, being someone who thought it would be quite good to have my say on some of these things, I clicked "yes". I then went into the website and I started looking at things I was

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interested in. I could not help noticing, and I know this is not the direct responsibility of the minister with carriage of the bill in this place but I want to put it on the record, that the link to the Economic Regulation Authority was broken. There was no way I could get from the Synergy website to the economic regulator. I thought that was interesting because, of course, the ERA had been one of the main critics of the re-merger of Synergy with Verve. I am sure that this was entirely innocent, but I thought there was a rather poignant irony in the fact I could not get from Synergy to the ERA website. The message said that the page did not exist or I had used an out-of-date link. I thought that was probably true and, sadly, it was an out-of-date link. I should also comment on the fact that when I finished using the website, remembering that the note said that if I wished to participate in the survey once I had finished using the website to select “yes”, I then closed the website but the survey did not come back. I looked for it. I truly did, because I was perfectly prepared to take part in that survey. I do not know whatever it is that Nielsen is supposed to be supplying for Synergy, but maybe someone will come and have a look at that.

As a result of my research into this bill I was left with a whole series of questions. I hope I get an opportunity to raise these questions when we go into committee on the bill. It is not clear to me that anything in this bill is about the cost of electricity. It is not clear to me that it is about microeconomic reform.

**The DEPUTY PRESIDENT (Hon Adele Farina):** Noting the time, I make the comment that the member will have two minutes left after the dinner break.

*Sitting suspended from 6.00 to 7.30 pm*

**Hon SALLY TALBOT:** In the last two minutes remaining, I thank the house for its indulgence in granting me an extension of time. However, just before the dinner break I went through a series of questions I hope will be answered when we get further into this debate. Perhaps the main one is, according to the government’s view of things, when did things start going wrong? What has been going wrong since September 2008 when the Barnett government came to power? What has led the government to this point at which it wants to re-merge Verve and Synergy?

As I said earlier, there is nothing in the draft discussion paper that the former minister put out in 2011, there is nothing in the policy statement that the minister endorsed in August 2012, and there is nothing about things going wrong with the disaggregated system that could be fixed by a move such as this. If, in the alternative, the government’s answer is, “Well, nothing is going wrong”, my question is: what started to go wrong in only August 2012? That was the last time that the government spoke about energy policy until 10 April this year when it decided to end disaggregation. Did things start going wrong only after the “Strategic Energy Initiative, *Energy2031*” paper was released in 2012?

We deserve to have answers to this question and it is important in considering how we move on from this place that we have answers to those kinds of questions. I look forward to hearing the minister who has the responsibility for the bill in this place—who, after all, had the benefit of being the energy minister for a number of years—answer those questions.

**HON JACQUI BOYDELL (Mining and Pastoral) [7.33 pm]:** I rise tonight to add to this debate. I support the Electricity Corporations Amendment Bill 2013. I did not want to disappoint my Labor Party colleagues by allowing them to continue to state that no National Party members were willing to speak on the bill. At the encouragement of Hon Sally Talbot and Hon Kate Doust last week, here I am!

The Electricity Corporations Amendment Bill means that the electricity retail corporation trading as Synergy and the electricity generation corporation trading as Verve will likely merge upon the enactment of this bill on 1 January 2014. As I understand it, there is some important background and history to this bill. It is important to recognise the intention of the government at that time to try to encourage some privatisation in this area. In 2001, the Gallop Labor government initiated a review of the electricity market. The review was conducted with the intention of disaggregating the market, thereby moving away from a government vertically integrated monopoly. The debate circulating at that time in Australia and elsewhere was one of privatisation. Probably critical to the debate swirling around were issues including market forces, competition, the need for private investment in an ever-growing utility market that was an ever-burdening problem for governments past and future, and the need to take some risks at that time. To its credit, the Labor government at that time under Geoff Gallop did take some risks with a view to privatising the electricity market in Western Australia. However, the need to now review that market to bring it back into a merged state to allow for a better future positioning of the privatisation of that market is where we stand today with this bill.

By 2006, the reform saw the disaggregation of Western Power into four publicly owned entities—namely, Verve as the generator, Synergy as the retailer, Western Power as the network provider and Horizon Power as the regional provider outside the south west interconnected system. As I understand it, even with all the best



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intentions and great promises, the reform that was sought at that time has not been delivered. In fact, Synergy has and is forecast to continue being a significant loss-making entity to not only this government, but also certainly future governments. The total government subsidy to Synergy and Verve since disaggregation in 2006 has been \$2.5 billion. This is despite the fact that electricity tariffs to households have increased by about 78 per cent. It is clear that with Synergy continuing to make substantial losses, and also given the high levels of subsidy provided by government to these entities, the situation is untenable and unsustainable for this Liberal–National government and future governments. With that in mind, I think the responsible decision is to acknowledge that change has to occur. We have to create a recalibration of the electricity industry that allows for future privatisation in a much more energetic way than it has been managed previously.

I support the bill on the principle that back in 2006 when the government at that time introduced the opportunity for privatisation, it was a good thing. The government had the view that this utility would supply energy to Western Australia without the government being part of that delivery in the long term. That has not worked and we need to do something about it. We are the decision-makers in government in Western Australia. We must create an environment into the long term that allows for the privatisation of this market to be successful. For those reasons, I support the bill. However, I share the concerns of some within the industry that by undertaking this merger we are creating a potential superpower within the electricity market. I have two key concerns that I will raise in the house today. The first relates to the urgency of this bill and the second relates to the regulations that surround this corporation.

Firstly, I find it a little concerning that currently we are undergoing a detailed review of the structural aspects of the electricity market. That is due to be completed after this bill is potentially passed in this house, which is a concern. The second concern I raise relates to how we intend to manage this potential monopoly, even if for a short time. Clause 22 replaces section 62 of the Electricity Corporations Act and provides for the segregation of functions so that the retail and wholesale arms of the merged entity can be managed separately so that competition garners the support of industry and the wider public. To allay public fears of anti-competitive behaviour by the re-merged entity, perhaps that clause could expressly state that the segregation powers in the bill will ensure that the merged corporation does not engage in anti-competitive practices. It is important to make clear the reasoning and importance of these segregation powers, and I urge members to consider that when we come to consider that clause of the bill. It is also important that under proposed amended section 75 satisfactory regulations are developed so that competitive principles enshrined in the Competition and Consumer Act 2010 are duly applicable to the merged Synergy and Verve corporations. That is essential for the ongoing future of the electricity market.

**Hon Peter Collier:** It is refreshing to have someone talking about the bill.

**Hon JACQUI BOYDELL:** Thank you, minister.

I cannot reiterate that enough. We must do as much as we can so that the merged entity's market dominance is not abused for anti-competitive purposes. An environment must be created so that the private sector in the future and the existing private operators in the market can be confident that the market is fair and just. That is important to the ongoing nature of the success of the potential future privatisation of the electricity industry.

The bill also refers to the minister's role for approving arrangements. Perhaps to avoid any perceived conflicts of interest, the Economic Regulation Authority or another independent body should play a greater role in the determinations of that corporation, and that should be considered at the committee stage. To allay concerns of some in the industry, perhaps the arrangements that have been made should be revisited, given the review currently underway, which will probably not be reported upon until after the house has voted on the bill, and that in six to 12 months, in line with the release of the current review, we revisit where we are and what improvements can be made in the electricity market. That would allow for immediate action to be taken and to show industry that the government is interested in the effects of the Verve and Synergy merger and its wider impacts on the economy. I would like to see that occur. It bodes well in our relationships with private investors in the current market and shows good governance around what is being created for the future.

I strongly support the bill and I strongly support the need for changes within the electricity industry. As I have said, the state of the industry is untenable and change was needed. The government intends to make that change by proactively merging those two organisations, bringing it back to government, and considering how the electricity market will work in the future and possibly move forward. That is a good and responsible decision to make. The inefficiencies and costly requirements of the Electricity Corporations Act 2005 need to be removed. There is a changing environment and management of those inefficiencies must be more flexible. Most importantly, as manager of the state's finances, the government is obliged to do all it can to create profitable entities in the market. However, the government needs to be clear about the management of the merged organisation and its obligations to competition, private sector involvement and transparency. I hope that those

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concerns are discussed more at the committee stage. I support the bill. It is a proactive and responsible decision of government and I commend the minister for bringing it to the house.

**HON ALANNA CLOHESY (East Metropolitan)** [7.45 pm]: I rise to also speak to the Electricity Corporations Amendment Bill 2013. As members have heard, this bill seeks to amend the Electricity Corporations Act 2005, to bring about a re-merger of Synergy, the electricity retailer, and Verve, the electricity generator. The government claims that the merger of these two entities will achieve cost efficiencies and reduce corporate overheads in the new re-merged business. The government also claims that this is a first step in a broader reform and that it will promote an efficient electricity market that delivers cost-effective, reliable and safe electricity for consumers. I certainly hope that is what this bill does, but I have my serious doubts that it will do that. In examining this bill, there seems to be no explanation how, where or, indeed, why these so-called reforms are being brought about and why this re-merger is happening. I am particularly concerned for consumers that there will be a safe, reliable and effective market for them, but I have grave doubts that will occur. I will talk specifically about the effect on consumers later.

I did a fair amount of research on this bill, mostly because, due to other parliamentary business in the form of committee hearings, I did not get the opportunity to attend the one briefing provided for the opposition. I am extremely disappointed that the bill has been brought about with undue haste, particularly as that one briefing provided very little detail on this issue. I agree with Hon Jacqui Boyde about the urgency of this bill. This bill has been brought about with undue haste. In my research of the bill I could not see a reason for it being rushed through. We have not been told about the impact of the merger, particularly on consumers, or why the merger is necessary. Although one of my colleagues gave me a handout from the briefing, which, in part, was useful, there was no technical detail on the bill in that handout. As we know, most of the technical detail relating to this bill will be vested in the regulations. Again, I cannot understand why the government is bringing this bill forward without providing any detail on what will be included in the regulations, and I cannot see the unnecessary haste as a reason for that. The regulations have not been drawn up and the government is not revealing in any great detail what will be in them in. I am left to draw my own conclusions about the Electricity Corporations Amendment Bill 2013 without any great detail because despite making promises to the contrary, that Verve and Synergy would not be merged, the government, as we now know, in its second term did exactly the opposite and took steps to re-merge Verve and Synergy.

Even though early on the Premier promised that there would not be any re-merging of Verve and Synergy, there has always been a will within certain sections of the Liberal Party for that re-merger to occur. Certainly, at the time of the election and until very recently, the government was not sharing that will to re-merge Verve and Synergy. However, certain sections of the Liberal Party, the higher-ups really, had the will; in fact, this re-merger is being driven by the higher-ups in that party. We now know that this re-merger is the first step down the road of privatisation, despite the fact that the government promised no privatisation of electricity or other utility assets. We do not know why we are being asked to take this step down the track to privatisation, because there is no clear evidence for this need in the bill. Will it achieve cost savings as claimed? Perhaps it is about achieving cost savings to address the government's budget bottom line. Will it positively affect consumers and households? Will it make it cheaper and easier for industry in Western Australia? Will it reduce our reliance on non-renewable energy sources? There is no evidence because there is no business case or other evidence associated with the bill that we are being asked to pass. However, the government ploughs ahead with the re-merger and with privatisation, driven by not facts but blind ideology. We know about the market mechanisms in other jurisdictions that have brought electricity generators and electricity retailers together. We know from the experience and evidence in those jurisdictions that re-mergers or mergers do not work as a cost-saving measure for government. We know from the experience in other jurisdictions that it does not work to reduce utility costs for consumers. We know that it has not worked in other jurisdictions to reduce dependence on non-renewable energy sources. The government has not provided us with any evidence to the contrary because the government has not provided us with any evidence. It is what I call policy developed in a vacuum.

Last week, Hon Kate Doust gave us a pretty important history of the government's position on the disaggregation of electricity corporations over the years. It was a really detailed and interesting history. I thoroughly engaged with it because it is really important to understand the history of the development of legislation. Through that history we can identify the inconsistencies in approach in policy over time. For me, it was important to see the true picture of who or what is driving this change. Hon Kate Doust talked about the changes being kicked off by the former energy minister as he was then, now Premier Barnett, in the Court government. Initially, the now Premier opposed the disaggregation of Verve and Synergy in 2005 and was really quite vocal about his opposition, although he did not divide. He voted with his party to support the changes that were being brought about in 2005.

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Throughout the first term of the Barnett government, there were kind of niggles or little temptations about the re-merging of Verve and Synergy, but nothing really ever came about. There were little bits and pieces here and there but nothing really happened. Why? Because there was no evidence of the need for it and no evidence about how successful it would be. However, I acknowledge that quite a deal of work was done on it; a significant amount of work was done by consultants. In fact, a lot of money was spent on consultants. Over that four-year period, the Premier made muffled sounds, muted sounds, about the re-merger. Several times the Labor Party tried to identify what the Premier really wanted to do, but we never really got an answer on that. But all the time the Premier seemed interested in it, but not interested enough to, of course, promise at the election that the Liberal–National government would re-merge Verve and Synergy. Certainly, there was not a promise at the election that the government would do that, but a month after the election, the idea of the re-merger popped up again. There is significant opposition to the idea of the re-merger, which I will go into a little later, but it was not promised around the time of the election. A lot of that opposition comes from what we would imagine to be traditional supporters of the Liberal Party. The Chamber of Minerals and Energy in a media release last year, when there was initial burbling about re-merging, was very much against any idea of re-merging the two entities. In fact, the chief executive, Reg Howard-Smith, said —

“Re-merging Verve and Synergy would be a retrograde step in the market reform process,” ...

“The suggestion that re-merging Verve and Synergy will put downward pressure on prices has not been demonstrated.

“No independent analysis of the economic impact of re-merging Verve and Synergy has been undertaken.

“A re-merger will significantly dampen enthusiasm for private investment, decrease competition and put upwards pressure on energy prices.

“At a time when governments all around the world are adopting policies to increase competition, we are stepping back into the dark old days of State owned utilities dominating electricity markets.

...

CME has forecast electricity demand to grow by 70 per cent in the next five years ...

There we have it; the Chamber of Minerals and Energy does not support a re-merger.

But still the Premier is not listening. The government cannot tell us why this bill is needed or who will benefit from the bill. What about the savings? The government has not been able to tell us how those savings will be made; nor can the government tell us what the costs will be. How will the costs be borne out? There will be costs associated with a re-merger. Will those costs—this is a particular concern to me—outweigh the supposed savings being made? The government claims that this merger will of course produce savings. Of course, the government has to be worried about that, because the government has lost the AAA credit rating. It needs to find some rescue remedy for its budget bottom line. We also know that the government lost its AAA credit rating by focusing on the wrong priorities. Here it is again with the wrong priority. It is still on this track. One of the significant difficulties I have with this bill is that there is no business plan. There is nothing to tell us what savings will be made, so we just have to assume that. What sorts of savings will there be? Will we end up saving in pens and paperclips? Certainly, there will not be any savings in the cost of running the board, because the total number of board members will be the same as the current number at the two separate entities. There will not be any savings on the board. There might be some savings on the rent, but we do not know about that because there is no business case.

What is the other step in this bill? What else do we have to consider? We have to consider that this will put us on the full track to privatisation. The government did not go to the election saying that it would re-merge Verve and Synergy. The government did not say to the people of Western Australia that it would do this so that it could fatten the two entities and then split them again and sell them. It did not say that it was on the track to privatisation. In fact, before and after the election, the Premier denied that privatisation was on the agenda, despite evidence to the contrary. But we know that it was always on the agenda, particularly on the Premier's agenda. One person connected with the Liberal Party tried to be honest about privatisation being on the agenda. That was before the election. In fact, on 20 February, Darren Brown, the former chief of staff of the former energy minister, Hon Peter Collier, was honest enough to mention in his private blog that the government was on a very clear trajectory of privatisation. He said that a very clear line from the Premier's office was that privatisation of the utility was a second-term project.

**Hon Ljiljana Ravlich:** First you run it down and then you sell it off.

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**Hon ALANNA CLOHESY:** That is what we think is going to happen, but we do not know because there is no business case. We do not know what is going to happen. Mr Darren Brown said that selling assets such as Western Power was well within the core ideology of the traditional Liberal Party and that the government's decisions to rapidly push for cost reflectivity in energy tariffs and increase state debt over the past four years were perhaps more telling than anything that privatisation at least was on the agenda. Of course, in response to that the Premier said that those claims were simply untrue. The Premier said that there would be no privatisation. In fact, the Premier put out a statement about that on 21 February this year. There we have it. Before the election, the Premier denied, denied, denied; in fact, he denied more than three times. The former energy minister was relieved of this portfolio and the new energy minister, Mike Nahan, let the cat out of the bag after the election. The Minister for Energy, Mike Nahan, has since said that power generator, Verve, and retailer, Synergy, which are to be merged on 1 January, will be split within five years into competing electricity businesses that perform both roles and then partly privatised. He was quoted on WAtoday on 21 September as saying —

“You have to have a big player that has retail—sells to the public—and generation. We're putting them back together, integrating them, and then we would split out,” ...

“And I expect part of that to be sold.

“You put them together, then you split, so you know what is the optimum generation, what are the contracts to sell.”

Not all that long ago, Dr Nahan said that he expected the privatisation to take place after the next state election: “We are re-merging these two entities, fattening them up, chopping them up, selling them and privatising them.” On 25 September, only a couple of days later, the Premier said —

There is no plan to merge and demerge and then privatise the utilities. That is simply not Government policy.

That was reported in *The West Australian* of 26 September. Cannot keep track? Who said what? I suggest that that demonstrates a disorganised government. The left hand does not know what the right hand is doing, which is ironic given that that is what the merger is meant to be about—bringing the generator and the retailer back together so that they know what is going on.

As I mentioned earlier, I have some particular concerns about privatisation. As we have heard time and again, advocates of privatisation argue that privatisation is good to raise much-needed cash to assist governments' sagging budget bottom lines. Advocates of privatisation also argue that it is good for competition and therefore, ultimately, good for consumers. We know that privatisation is on the agenda, but let us look at the impact of full privatisation of state-owned assets in other jurisdictions. Professor John Quiggin, whose work broadly in the field I respect, has done a lot of work in this regard. He looked at the fiscal impact of the privatisation of the Victorian electricity industry particularly because the common assumption up until the point at which this paper was published in 2002 was that the privatisation of electricity assets had been good and had been a successful fiscal exercise for the Victorian government. His analysis found something completely different. I will quote from the “Fiscal impact of the privatisation of the Victorian electricity industry”. At time of writing, Professor Quiggin was the Australian Research Council's senior fellow at the school of economics at the Australian National University. As I mentioned, his analysis suggested something completely different, and I quote —

A simple arithmetic exercise ... suggests that the fiscal benefits of electricity privatisation are, at the least, problematic. The gross proceeds from the sale of the electricity industry assets was around \$20 billion. At an interest rate of 6 per cent (equal to the real bond rate at the time of privatisation), the use of this sum to repay debt would yield an annual saving of \$1200 million per year. The earnings (before interest and tax) of the State Electricity Corporation of Victoria (SECV) in its last year of operation before privatisation were \$1202 million (SECV 1993). On this simple calculation, the short run impact of privatisation on the net income of the Victorian public sector was almost exactly zero.

On the straightforward sale of Victorian public assets in the electricity industry, the net outcome to the government was almost exactly zero. I wish the Western Australian government had actually looked at Professor Quiggin's work before it headed down the road. That was before privatisation. Professor Quiggin's analysis continued on the outcomes after privatisation of the Victorian government's electricity assets. His analysis took into account the interplay of the local generators and retailers in the national electricity market and I recognise that Western Australia is different and does not engage with the national electricity market. However, here is a really important point. I quote —

... it is necessary to consider impacts on consumers and workers. In most cases, the effects of privatisation, considered in isolation, are relatively modest, since the behavior of corporatised government business enterprises is fairly similar to that of private firms. However, since every stage of

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the process in which government agencies have been converted into commercial public enterprises has been accompanied by reductions in employment and job security, it seems reasonable to assume that this trend will continue under privatisation, leaving workers worse off.

It is similarly difficult to disentangle impacts of privatisation on consumers from the general process of regulatory change that has gone on at the same time. Clearly the prospect of privatisation encouraged the Victorian government to raise electricity prices in the early 1990s. However, these higher prices have been taken into account in computing the income foregone by the government.

...

In general, the effect of privatisation and regulatory change has been to replace uniform prices, based on a rather vague notion of equity, with highly differentiated prices, driven by market incentives. Consumers seen as 'desirable customers', such as businesses and high-income households have benefited from greater choice —

So there are some good things —

and, in many cases, lower average prices.

However, according to Professor Quiggin —

... suppliers ... sought to dump less desirable customers or to force them into residualist arrangements designed to minimise the costs of serving them.

In summary, heading down the privatisation road under this government, we find that the government does not actually make any money on the initial sale of publicly owned assets. We also find that privatisation causes unemployment and job insecurity. We also find that privatisation creates highly differentiated prices, which only benefits those who can afford to pay—the richer—and leads to the dumping of poorer customers. This bill will take us on the path to privatisation and, as I said, the evidence suggests that that is not where we want to be, particularly if we are concerned about prices, consumers and job security. I know I am concerned, but it does not seem that this government is.

The other aspect of this bill I was concerned about is that it does nothing to reduce our overreliance on non-renewable energy. In fact, the re-merger it will probably have the opposite effect.

Several members interjected.

**Hon ALANNA CLOHESY:** Verve has already cut, has it not —

**Hon Ljiljanna Ravlich** interjected.

**Hon ALANNA CLOHESY:** That is right. Verve has already axed a wind farm and its green unit. Let me guess what that was because of.

Several members interjected.

**The DEPUTY PRESIDENT (Hon Simon O'Brien):** Order, the multiple interjections are preventing Hansard from hearing the speaker, who is Hon Alanna Clohesy and who I invite to continue her remarks.

**Hon ALANNA CLOHESY:** Thank you, Mr Deputy President.

We know the axing was because of cost saving and this bill will not do anything to turn that around. In fact, there was not all that much done to enhance renewable energy. The Oates report found that climate change and the prices of other energy sources have been a challenge for the government, which was quite interesting. Those things have also been a challenge for the government's electricity generator and retailer. I quote from the "Verve Energy Review" that was conducted in 2009, which was an important review.

**Hon Peter Collier** interjected.

**Hon ALANNA CLOHESY:** Yes, I agree it was an important review.

**Hon Kate Doust:** It just shows the government did not pay much attention to it.

**Hon ALANNA CLOHESY:** Certainly not much in that review indicated why this bill is necessary. In fact, nothing in that review indicated why this bill is necessary. On the point of renewables, Peter Oates, the consultant to the review, found the following —

Climate change initiatives are a critical and pressing issue facing the industry which could potentially impact the viability of some of Verve's plant and Synergy's contracted generation, and poses significant challenges to the system as a whole.

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Climate change does pose that challenge. The report went on to identify that while there was a need to develop renewable energy sources because at the time we had renewable energy targets and carbon pollution reduction mechanisms, it would be a complex thing for the state, but something it could deal with. I quote further —

The various State and private entities in the sector are currently pursuing different and uncoordinated strategies.

The report said that there were challenges. The renewable energy target was a challenge, climate change itself was a challenge and carbon pollution reduction mechanisms, which at the time were about to be brought in, were a challenge. The real challenge was that the various state and private entities were pursuing different and uncoordinated strategies. What would we do about that? We would try and work on bringing a bit more coordination into the sector, would we not? Actually, what the government did was sit on its hands and watch the further deterioration of Verve and Synergy's capacities to develop renewables in response to climate change. As I mentioned, the electricity generator Verve was later forced to axe its renewable energy unit and put on ice one of the biggest wind farms in Western Australia. Maybe I should have used a different choice of words there. Verve confirmed that the axing of the unit and the stopping of one of the biggest wind farms in Western Australia was in response to the minister's demand for cost savings and his demand that new power stations not be built—the axe had been brought down.

**Hon Ljiljanna Ravlich:** He lost all the money in the solar power bungle and Muja.

**Hon ALANNA CLOHESY:** Muja A and B and a few other things; lots of other things. So far, we can see that there are a few losers from this proposed merger.

Several members interjected.

**The DEPUTY PRESIDENT (Hon Simon O'Brien):** Order! We have already heard from Hon Ljiljanna Ravlich on this question on 26 November. Hon Alanna Clohesy has the call.

**Hon ALANNA CLOHESY:** The losers will be jobs, job security, reasonable prices for consumers and renewable energy. But this bill will also have other impacts; in particular the impact on services and costs to consumers. We know that power supply has been a major problem over a number of years. For example, in the East Metropolitan Region that I represent, power outages have been a significant concern over a number of years. This information is based on a number of questions put to the Minister for Energy over time. From 2009 to 2011 there have been 288 power supply interruptions in the Mundaring area. The causes of those interruptions were equipment failure and some 21 per cent were planned outages as a result of maintenance. Of these outages, about 16 per cent in 2010 and 17 per cent in 2011, were unknown causes. What I would like to know, and will pursue if we get to the committee stage of this bill, is the impact of this re-merger on enhancing the power supply to people living or operating businesses in Mundaring, Parkerville and Stoneville. How will the outages in the hills area be reduced as a result of this bill; that is my main concern. What will the provision of an electricity generator and bringing back the retailer do to assist in affecting power supply? Not much.

As we all know, the cost of living has increased, particularly the basic cost of electricity, which has increased significantly by about 62 per cent over the last four years. How will the re-merger of these two entities address the cost of living and the cost of energy to householders? In particular, out of the last budget the increase for households for the average cost of electricity was just four per cent. They are the issues of concern to me. The other issue of concern is the cost of addressing the ring-fencing that is supposed to go on to prevent market information being spread between the two entities. What will be the cost of that, particularly in terms of training, because I am sure that has not been taken into account? How will this affect jobs and job security and how will this promise security of supply to householders and retailers? How will this assist in decreasing our reliance on non-renewable energy? How will this assist in reducing average household charges? None of those questions can be answered because we have no information on this bill. I look forward to addressing those issues further down the track in committee stage.

**HON MARTIN ALDRIDGE (Agricultural)** [8.27 pm]: I rise to make a few remarks on the Electricity Corporation Amendment Bill 2013. I do not want to consume too much time because I am sure the opposition has a lot more scrutiny to do tonight before we move to, and pass through, the third reading of the bill before we rise. As someone who was not in this place when the disaggregation of Western Power was considered in the early 2000s, I am amazed at the hypocrisy of the opposition to come into this place and continue to lecture the government on energy reform and energy policy given its track record in this area.

The Electricity Corporation Amendment Bill 2013 seeks to amend the Electricity Corporations Act 2005 to provide for the vesting of assets, liabilities and rights of the electricity retail corporation, otherwise known as Synergy within the electricity generation corporation, otherwise known as Verve Energy. My colleague Hon

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Jacqui Boydell canvassed a lot of the specific areas of that bill earlier this evening. The merged entity will trade under the name of Synergy, which I think is much more understood and recognised in the community than Verve. Looking at the history of how we got to this place tonight and the need for these reforms at this time is interesting. When the Gallop government took office in 2001, it conducted an extensive review process with a view to disaggregating Western Power in order to increase market competition and lower power prices. The review process identified, amongst other problems, that the energy market in Western Australia is different from the energy market in the eastern states. It has been interesting to hear some of the speakers during this debate, and even this evening, continually referring to what is happening in the eastern states and making comparisons between Western Australia and eastern Australia, when, as we know, the markets are quite different. Our market is small, isolated and volatile, and it is dominated by an existing competitor with monopoly access to electricity generation and retail services.

There was also uncertainty about whether our private energy sector was mature enough to enter into the market and compete with and replace Synergy and Verve. At the time, the Labor government claimed power prices would decrease by 8.5 per cent. It also claimed that the disaggregated entities would continue to operate profitably. Neither of those two things happened.

Prior to the disaggregation, Western Power's annual profit was some \$400 million, with residential electricity tariffs at 13.9c a kilowatt hour and no subsidy from the government. As a new member to this place, it is almost hard to imagine a time when that would have been the case.

**Hon Kate Doust** interjected.

**Hon MARTIN ALDRIDGE:** The honourable Deputy Leader of the Opposition has had her go.

Following the disaggregation of Western Power in 2006, many of the perceived benefits, some of which I have talked about, relating to market competition and low energy prices simply have not been realised. Despite residential tariffs almost doubling to 25.9c, the entities have made substantial and continuous losses, resulting in the need for nearly \$2.5 billion in government subsidies since 2006. It seems that in trying to disaggregate a competitive market, the previous government introduced inefficiencies in the service delivery of energy, leading to a massive spike in cost. Therefore, the reaggregation of Verve and Synergy is necessary to combat some of those inefficiencies.

Whilst we as a government conduct our own review into what the marketplace should look like and how it should operate in an efficient manner, I am advised by the minister that extensive consultation has taken place by both him and the merger implementation group—MIG—contrary to the views that some members have placed on the record in this place that there has not been consultation. The minister advises me that some 20 meetings have occurred between the government and the WA Independent Power Association Inc. Meetings and workshops have been held with key stakeholders, including the private sector electricity market participants, regulatory bodies and government agencies. Members of the National Party have also met with some of those private sector organisations to consider some of their concerns. They also acknowledged that the government has had an open-door policy on discussing these reforms. They might not be happy with all the reforms that have been suggested in this place this evening, but they appreciate and understand the government's position. They have their interest at heart and we as the government have the interest of consumers and taxpayers of this state at heart.

The current electricity market arrangements have been in place since 2006. As I have said previously, they have failed to achieve some of the key measures that the reforms were designed to achieve. We have heard a lot about exacerbated tariff increases in recent years and, interestingly, an oversupply in generation capacity, which has largely been underwritten by the state, for long-term power purchase agreements.

I want to reinforce that this is the first step in a broader reform program to improve the efficiency of the electricity sector, so that we implement a market that will serve this state much better in the medium to long term than what we have experienced in the past decade. Much of the debate this evening has been focused around the short-term benefits, the reduced corporate overheads and how much we will save on power purchase contracts and fuel procurement and the like. I appreciate that that is a small element, in my view, of the benefits. The real benefit will come in the medium to long term from structuring a market and a generation and retail sector that will be competitive and subject to market forces, and will become an efficient producer and supplier of energy to our state.

We have some time to consider these broader reforms as the Independent Market Operator forecast a surplus of 396 megawatts of capacity above that required in 2016–17. Given current load forecasts, it is anticipated that the additional baseload generation will not be required until approximately 2020. I find some of those figures astonishing; we have simply built enough generation infrastructure in this state to last us through to 2020. If the

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Independent Market Operator's predictions are right, we have some time to implement the reforms properly and appropriately to ensure that we are in a position to again attract private sector investment by the time we reach that milestone.

I agree with previous speakers that electricity generation is vitally important to our economy and our community. I do not accept that we have got this right thus far and that we should give it a bit longer to let it work itself out. Let us get the market conditions right before we need that next wave of investment in 2020. That investment is likely to come from the private sector, so we need to ensure that those conditions are right, or government will ultimately continue to bear the costs and risks associated with additional generation capacity. Whilst implementing this first round of reforms, we must also be mindful of the private investment that has occurred since 2006. The government will be judged by the private sector now as it will in future years when we again seek its assistance to develop and invest in our electricity markets. The government has committed to honouring existing power purchase contracts with those existing private generators.

In the last few days we have been considering this bill, one of the other matters that came up in the debate relates to the tariff equalisation contribution. I understand that the Economic Regulation Authority and members opposite support the removal of the TEC, which essentially is a cross-subsidy between south west interconnected system customers and non-south west interconnected system customers. The TEC ensures that the tariff paid by people in Broome or Kununurra is the same as that paid in Perth or Bunbury on the SWIS. The SWIS covers a large tract of our state from Kalbarri in the north to Kalgoorlie in the east and Albany in the south. In fact, all of my electorate is located within the SWIS, yet I advocate for the retention of the TEC to ensure some equity in power tariffs across our state's vast regions. At the moment, consumers bear the cost of the TEC, ensuring equity across the network. Members opposite propose that the government should bear that cost and that tariffs in the SWIS should be reduced with the removal of the TEC. For the government to assure the provision of electricity provision in Western Australia is an enormous risk. When the tables turn in this place and we return to a city-centric government, government members will not be inclined to commit taxpayers' money to ensure equity across the consumers in the SWIS and non-SWIS markets. They are a small group of voters and I am sure that a bit of electoral pain for some budget gain will be considered by future governments.

Although I do not expect the TEC to be impacted by these reforms, it may be impacted by future reforms and future private sector investments in the network, depending upon the form of the future market. If we move to a truly competitive market in the SWIS, in particular, it may be argued that the TEC should be removed and replaced by an operating subsidy from government. I tend to agree that having a private generator and retailer picking up the bill for network costs in other parts of the state for non-customers may not be tenable and will be a matter that the minister and the government will need to consider if we head down that track. Ultimately, my National Party colleagues' strongly-held principle is uniform tariffs, and whether we are in government or opposition, we will ensure that such arrangements remain either as a cross-subsidy from consumers or an operating subsidy from government. It is fair to say that I approach these reforms with caution. They are significant reforms and many members in this place have already highlighted their concerns during this debate. It is important that we get this right. We must ensure that we maintain the private sector's confidence in government to make the right decisions. Government will need private sector partners at some stage in the future. I am confident that the Minister for Energy is listening to the views of industry and other stakeholders and will do his utmost to ensure that those relationships are maintained and prosper in the future.

At the beginning of my comments I said that I wanted to keep my contribution brief, because Hon Jacqui Boyde had already this evening made a contribution on behalf of the National Party. Since my colleagues had a briefing on the bill—members opposite, we also only had one briefing—they are more than comfortable with the reforms and the need for reform.

**Hon Sue Ellery** interjected.

**Hon MARTIN ALDRIDGE:** It is astonishing that the opposition continues to hurl comments across the chamber whilst failing to remember its record in this area from 2001 until it lost government in 2008. It has failed to take some responsibility in this place tonight or at any time during the debate for the contribution it made that has resulted in the need for this reform. I hope members in this place keep that in mind when it comes to a vote later this evening. The Minister for Energy and his representative in this place, the Leader of the House, have my full support in the passage of this legislation.

**HON STEPHEN DAWSON (Mining and Pastoral)** [8.42 pm]: I rise to make some comments about the Electricity Corporations Amendment Bill 2013. From the outset I welcome the contributions from my friends in the National Party, Hon Jacqui Boyde and Hon Martin Aldridge. It is very good to see three of the five Legislative Council National Party members in the chamber at once. It is a rare occasion these days, if not a novelty. It was also interesting to hear a member of the National Party acknowledge—it happens only on rare



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occasions—that the National Party is part of the government. We all know that that is the case, but National Party members toy with that at various times.

I have not been in this place for very long. Indeed, I was not aware of the ins and outs of this legislation nor was I aware of all that went on before, so I did some research to make sure I could make a contribution to the debate on this bill. I wanted to find out when we first got an inkling that the merger might happen. Members may remember that privatisation, amalgamation or reintegration had been ruled out previously. People had not been told that it would happen. The first time we got wind of it was during the Premier's press release about changes to the machinery of government on 10 April this year, in which the Premier states —

Chief among the proposed changes is the merger of Verve and Synergy.

After referring to the Department for Child Protection being renamed the Department for Child Protection and Family Support, a new standalone Department of Lands, the renaming of the Department of Indigenous Affairs to the Department of Aboriginal Affairs—which I and the community support—and the Drug and Alcohol Office being joined to the Mental Health Commission, the statement reads —

Mr Barnett said the changes to Verve and Synergy would deliver improved efficiencies in electricity delivery.

The Premier said splitting up Western Power into separate State-owned entities had failed to deliver lower electricity costs, in fact it had contributed to higher electricity costs in the South-West grid.

Mr Barnett said while the electricity market changes had attracted some private sector investment they had also resulted in a lack of longer-term planning on electricity market requirements, including energy security.

There is more about the reintegrated entity. That was the first time we heard about it. I then decided to find out who supports the legislation. Who has called for it and said that it is a good thing? I struggled to find anyone who said it was a good thing. However, I found a range of statements from a variety of organisations that are against it.

**Hon Peter Collier:** Read *Hansard*.

**Hon STEPHEN DAWSON:** Minister, I know that government and National Party members are in favour of the legislation. However, very few organisations are in favour of it. Members in this place would do well to remind themselves that we do not live in a bubble. We live in a state and we are supposed to do things in the best interests of the state. We are supposed to take into consideration the concerns of the constituents and organisations that we seek to represent.

I refer to a 10 April press release from the Energy Supply Association of Australia titled “Remerger of Verve and Synergy bad news for WA households.” The Premier's statement was on 10 April and this statement was released later the same day. It reads —

Today's announcement by the Barnett Government of a proposed remerger of power utilities Verve Energy and Synergy will reduce competition, risking higher, not cheaper, energy bills for WA households.

Energy Supply Association of Australia (esaa) CEO Matthew Warren said WA businesses and households will be worse off if Premier Barnett's proposal to merge the two utilities proceeds.

“The best way to drive down energy prices is to increase competition. The remerger of Verve and Synergy will just lock up the WA market, discouraging private investment which means WA taxpayers will end up footing the multi-million dollar bill for new electricity generation,” Mr Warren said.

“That means less WA taxpayer money for important public projects like new schools, roads and hospitals. And for what? There is no evidence of any benefit to the WA energy market from this proposed reform.

We already know from debate in this place over the past few weeks that there is less money for schools; in fact, there is a tax on the education system. Although the press release states that the reintegration will mean less taxpayer money for important things, such as schools, it is already happening. That is the view of the Energy Supply Association of Australia. I also found a statement from the Chamber of Commerce and Industry on 23 April 2013, which was made a couple of weeks after the last one I read out. The title reads, “Further evidence re-merger won't reduce energy costs, Statement by CCI General Manager Advocacy, David Harrison”. It states —

A new independent report provides further evidence about the benefits of a competitive electricity market in Western Australia, and cautions the Government against re-merging Verve and Synergy.

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The report, commissioned by the Independent Power Association, finds the decision to break up Western Power into four separate businesses hasn't led to higher electricity costs.

It includes that bringing together the two state owned electricity bodies is not the answer.

The report found **"...savings would amount to less than 0.4 percent of a typical residential electricity bill, or around \$5 per customer per year"**.

The report echoes the findings of the Economic Regulatory Authority's draft report released earlier this month —

That is April —

which found rising electricity costs for households and business were a result of higher generation, network charges and transmission costs.

The State's peak business group, CCI, is strongly of the view that the current reform process towards a competitive electricity market must continue, and is the best way to keep downward pressures on prices.

CCI urges the State Government to carefully review the report as it sets out a convincing argument as to why the current reform path needs to be continued.

It is obvious that the government did not listen to this press release from the CCI of 23 April.

Then there was another statement on 14 May 2012. I went back and trawled through Google—Google has been my friend for doing research on this bill—and found another statement from the CCI, titled "Energy re-merger will cost electricity users more: ERA. Statement by CCI Chief Executive, James Pearson", which states —

The latest Economic Regulatory Authority's (ERA) report has found a re-merger of Verve and Synergy would *'ultimately result in higher prices'* and *'be to the detriment of electricity consumers'*.

WA's peak business group, CCI, has long advocated for a continuation towards a fully competitive energy market as the only way to put long-term downward pressure on the cost of producing electricity.

The report found:

*'A merger between Verve Energy, the largest generator in the market, and Synergy, the largest retailer in the market, would be detrimental to consumers because it would likely discourage future private investment, reduce competitive tension, reduce transparency, and increase the need for regulatory oversight. This would ultimately be to the detriment of electricity customers.'*

That is another statement, again, not in favour of this merger and, in fact, again, against it—totally against it.

I found another statement from 10 April 2013, the day on which the machinery of government press release was issued, and again from the CCI, titled "Re-merger plan will set back reform and deter private sector investment. Statement by CCI Chief Executive, James Pearson". Members would know that the CCI is an unnatural bedfellow of the Labor Party and normally advocates, as it would say, in the best interests of business. However, this statement, issued again on the same day that the press release of the Premier was issued, states —

Today's announcement to start the process of remerging Verve and Synergy will set back reform of the electricity market and deter private sector investment.

That is similar to what was said the year before —

The drivers of a more efficient electricity system, competition at both the generating and retailing ends of the supply chain, will be significantly weakened.

CCI agrees with the Government that there are significant cost pressures facing electricity consumers, but re-merging Verve and Synergy is not the answer. There are a number of changes already planned that would ultimately deliver a better outcome for suppliers and consumers and place downward pressure on prices. This includes a review currently being undertaken by the Public Utilities Office.

I skip to the bottom, where it states —

WA businesses want to work with government to achieve better outcomes in energy markets for suppliers and users. However, unwinding uncompleted reforms that would have led to greater competition is not the answer.

There are a range of other statements. Another one from the CCI on 12 March 2012, titled "No evidence & no consultation leading to a poor decision on energy re-merger". The same stuff: the CCI is disappointed; lack of consultation; lack of benefit; lack of real benefit for anybody from this re-merger.

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Then there is another statement, this time from the Chamber of Minerals and Energy of Western Australia, dated 10 April 2013, which states —

While The Chamber of Minerals and Energy of Western Australia ... welcomed the plan to split the Department of Environment and Conservation —

Another of the changes to machinery of government announced in the Premier's press release —

and separating the management and conservation of our environment from the role of environmental regulator it is disappointed with the State Government's proposed merger of Verve and Synergy.

“Merging Verve and Synergy will be a retrograde step in the market reform process,” CME Chief Executive, Reg Howard-Smith said.

“CME believes a competitive energy market will best serve the community, allocating resources efficiently, delivering lower costs over time and supporting jobs and growth,” said Mr Howard-Smith.

“With disaggregation of the former Western Power and the creation of the Wholesale Electricity Market, Western Australia has been on the path towards a more competitive market. A merge of Verve and Synergy will undermine this progress to competition.

The statement goes on. That is another outside organisation not in favour of the merger.

In my research I found a range of newspaper articles. I have to say, I could not find anyone singing about this decision of the government. As I was doing my research I also found some other concerning articles about actions that went on in the other place, particularly one from *The West Australian* of 13 November 2013. Even though I read the paper every day, it is funny that some things soak in if they are of interest to me or concern my portfolio or electorate but I may not pay a lot of attention to them.

**Hon Robyn McSweeney:** You can't believe a lot of it.

**Hon STEPHEN DAWSON:** That is certainly true, Hon Robyn McSweeney; we cannot believe everything we read in the papers.

**Hon Robyn McSweeney:** Not all of it, but some of it.

**Hon STEPHEN DAWSON:** Absolutely, but when some of it is repeated time and again, I think, “Hang on, I am reading this. It is written by a few people, from a few different organisations, and appears in the paper a few times, so there must be something to this!”

I found a range of articles that relate to the amalgamation or re-merger of Verve and Synergy. The first one reminded me of the occasion the state government used its numbers in another place to protect Premier Colin Barnett from appearing before the Parliament's powerful Standing Committee on Procedure and Privileges over his misrepresentation of a letter in Parliament. That article states —

The Premier has been under fire for telling journalists in April and Parliament twice a fortnight ago that the chairmen of Verve and Synergy had written to him in March last year asking for the entities to be merged. But the letter was later revealed to make no such request and instead sought a meeting with Mr Barnett about the Government's merger plans because its key objectives were “not entirely clear” to the chairmen.

The Premier has been out and about saying in the joint letter that the two chairmen had said that they were asking for this merger to happen. In fact that was not the case. When the other place sought to scrutinise this issue and what the Premier had said, the Barnett–Grylls government, as it was then, used its numbers to quash an inquiry. That was one article. I then found an editorial from the *Weekend West* of 2 November this year titled, “Power merger must be argued on the facts”. It starts —

The issue of re-merging the State electricity utilities Verve and Synergy has produced a series of inconsistencies from the Barnett Government culminating in a loose interpretation of the facts this week by the Premier.

It goes on to say —

Colin Barnett misrepresented the contents of a letter from the chairmen of Verve and Synergy in an effort to back his case for the merger. In April, he cited the letter from Verve's David Eiszele and his Synergy counterpart Mike Smith, saying they had told him the two agencies should be amalgamated. He returned to that letter in Parliament on Wednesday, stating that the pair wrote, “This does not work; you need to put the entities back together”.

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However, we know that was not actually what was said. Those two chairmen of those two government entities had not actually asked for the organisations to be re-merged.

I found another article from *The West Australian* dated 1 November, titled “Barnett spin on merger letter”, which states —

Colin Barnett admits he took “licence” with the contents of a letter he used to justify the decision to merge State-owned utilities Verve and Synergy.

It goes on; I will not read it again because it is the same kind of stuff. We know the letter never said what the Premier said it did. We know those two agencies did not write a letter saying that they should be amalgamated.

There are a range of other articles. Another one, comment by Gareth Parker, from 1 November is titled, “Letter loses power to back Premier’s claim”. There is one dated 31 October titled, “In the dark on power games”. This articles states —

The Electricity Corporations Amendment Bill will pass the Legislative Assembly in coming days, and it will pass the Legislative Council in the weeks to come.

That the bill will pass in the weeks to come, given the article was dated 31 October, is probably wishful thinking! Today is 3 December, some four to five weeks later, and we are providing proper scrutiny to this bill. It is very important to note this point because we have seen the media in recent times report that ministers, in fact, have accused the opposition of not providing proper scrutiny to bills in this place.

**Hon Robyn McSweeney** interjected.

**Hon STEPHEN DAWSON:** Hon Robyn McSweeney, if she was here, would know that we do provide proper scrutiny! In fact, we take that job to heart. We are here to ensure that bills in this place get proper scrutiny.

**Hon Robyn McSweeney:** What bill went through that nobody said anything about? What bill was that?

**Hon STEPHEN DAWSON:** I cannot remember the bill that Hon Robyn McSweeney is alluding to; however, I was making the point that ministers in this government have accused the opposition of not providing proper scrutiny to legislation in this place.

**Hon Peter Collier:** It’s true.

**Hon STEPHEN DAWSON:** It is not true! We are providing proper scrutiny to this legislation. In fact —

**Hon Peter Collier:** This is great!

**Hon STEPHEN DAWSON:** Thank you.

**Hon Peter Collier:** I don’t have a problem with it, but you did on three bills, you did! You passed three bills in four minutes.

**Hon STEPHEN DAWSON:** I am glad —

**Hon Peter Collier:** Yes, you did!

**Hon STEPHEN DAWSON:** Yes, but if a bill is supported and it is a fairly simple bill, it is not just a case of we sitting here —

**Hon Peter Collier** interjected.

**Hon STEPHEN DAWSON:** Think of the conversations that happened beforehand. Think of the briefings that happened beforehand. Something does not just lob in here and then we say, “Okay, yes, let’s go and do it!” We have caucus—we have a Legislative Council caucus, we have a parliamentary caucus of Labor MPs. We provide scrutiny; we have a shadow cabinet. These things go through a rigorous process before they get in here; before members of the opposition actually stand up and make points and talk about the legislation. We do take the issue of providing scrutiny to bills. We do treat it importantly. I say sorry to Hon Robyn McSweeney; I think I saw her yawn. I will take that —

**Hon Robyn McSweeney:** I did not! How rude.

**Hon STEPHEN DAWSON:** I think perhaps it might have been a cough! I beg her pardon.

**Hon Robyn McSweeney:** Yes, I think so!

**Hon STEPHEN DAWSON:** However, even if it was a cough, I take the hint and will get back to the legislation at hand, that is, the Electricity Corporations Amendment Bill 2013.

**Hon Robyn McSweeney:** You’re getting a bit cheeky these days!

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**Hon STEPHEN DAWSON:** I do beg her Hon Robyn McSweeney's pardon. I had a good relationship with her for many years, including when I was in the minister's office. I have always valued her contributions and have certainly always taken her calls. I will try to make a good impression this evening by not being cheeky. I will go back to my articles and research in relation to this bill, and back to people's views and lack of support for this issue of the re-merger of Verve and Synergy.

Dr Nahan —

**Hon Adele Farina:** Based on what evidence?

**Hon STEPHEN DAWSON:** Based on what evidence is a good point! Because if members remember, I have already quoted from press releases from a range of organisations, including the Chamber of Commerce and Industry and the Chamber of Minerals and Energy, but it was particularly the Energy Supply Association of Australia—or one of them—that said basically there are no savings or benefit to the community from this bill. Having digressed from the bill, I will go on. The article from *The West Australian* of 30 October, titled "Power merger cost kept secret" states —

Dr Nahan said a combined Verve and Synergy could save as much as 30 per cent on its fuel purchases—primarily long-term gas and coal contracts—by co-ordinating its buying activities and achieving economies of scale.

I will skip through a part, and continue on where it states —

Dr Nahan said yesterday the Government had spent \$2.4 million so far on the merger but could not say what the ultimate cost would be because "it hasn't been put together yet".

Asked how much the merger would save, he said: "I can't say for sure but it will save hundreds of millions of dollars."

Now I have yet to see any proof of that; I do hope that when the minister delivers his second reading response he will tell the house by spelling it out where these savings will be. Also, it would be good for us to know how much has been spent on the merger. Obviously, that amount of money will need to be taken out of the amounts that Dr Nahan is confident of saving. I will continue reading —

Dr Nahan claimed the Government had done extensive financial modelling but this would not be released before the merger was debated.

Opposition Leader Mark McGowan said it was now apparent Labor would not see the complex regulations that would govern the operation of the Bill before a vote.

"They are hiding the detail from the Parliament and the public, so we don't know the way the new entity will be governed," Mr McGowan said.

Dr Nahan defended the absence of the regulations, saying regulations associated with the split of Western Power were not produced until six months after the relevant legislation passed Parliament.

But that demerger came after a five-year reform process and was supported by then-Liberal opposition, Mr McGowan said.

It is a good point because it was not one particular party that made the decision to create Verve and Synergy. It was a number of political parties; yes, Labor was in government, but the Liberal Party, the then opposition, had a hand in this. People should remember that.

I will keep going through my research. I found an article from the *Canning Examiner* on 2 October 2013, titled "Nahan denies division with Premier". The article, written by Andrea Downey, states —

Shadow minister for energy Bill Johnston said division between Premier Colin Barnett and Minister for Energy Mike Nahan over the future of the state's energy sector confirmed the state government was not accountable.

Those are quite harsh words. Just because the minister and the Premier had two different views, both probably long-held views—one was in favour of this stuff; one was not in favour of this stuff—it is a bit harsh of Bill Johnston to say that the state government was not accountable. However, I know what he was saying: there are definitely issues in government and there are definitely a number of points of view. The article continues —

In recent media reports Mr Nahan said the future of the energy sector involved merging retailer Synergy and producer Verve before splitting it into two companies but Mr Barnett refuted this in question time last Wednesday saying the two would only be merged.

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Mr Johnston said it was clear there was still division during question time last Thursday when Mr Nahan did not answer questions on whether he had spoken with Mr Barnett about the issue.

Bill Johnston said —

“It appears Colin Barnett doesn’t talk to or trust his ministers, he see’s himself as a one man band.

“Colin Barnett has always been like that, it is just that for the first four years he was in government he was able to hide his arrogance and disregard for his ministers.

It is not a rare occurrence, I have to say, that ministers and Premiers have different views. I dare say that there is often a range of views around the cabinet table. However, the article highlights that there are a number of views on this issue in the Liberal Party and there have been a number of views on this issue for a long time. Perhaps Dr Nahan was more conscious of the comments of the Chamber of Commerce and Industry of Western Australia, the Chamber of Minerals and Energy and the Energy Supply Association of Australia, because there seemed to be some reticence on his part about this re-merger. However, it is obvious that the Premier did not listen to the concerns of organisations such as the CME, the CCI and the ESAA because this legislation is in front of us.

There are more of these articles. I will not quote from them all, but I want members to know that there are more articles out there and a variety of organisations that do not support the re-merger. On page 74 of the business section of *The West Australian* dated Thursday, 7 November 2013, is an article by Daniel Mercer, titled “Power plays a threat to investment, Alinta warns”, which states —

WA’s biggest private energy provider has called for a wholesale review of the State Government’s changing role in the electricity market, saying it was stifling reform and threatening valuable investment.

The rare comments on government policy from Alinta Energy, which supplies electricity to 10 per cent of the South West market, were made as part of an inquiry by WA’s economic watchdog into microeconomic reform.

Touching on the Barnett Government’s decision to merge State-owned generator Verve with retailer Synergy, Alinta warned the move was likely to slash the market’s efficiency and scare away investment. It said the Economic Regulation Authority should review the appropriateness of the State’s involvement in the sector as well as its cost.

If it found the private sector was better placed to service electricity customers, Alinta said the ERA should prepare a blueprint for the Government’s exit.

...

“The Government’s recent announcement to re-merge Verve and Synergy has the potential to create further inefficiency, with the merger raising concerns by market participants about the negative impact it may have on competition and investment in the market.”

Therefore, Alinta is against this merger. Obviously, as a private energy provider, it has an interest; nonetheless, we have to recognise that it has an important interest and its views should be taken into consideration. Alinta is against the merger. We have heard the CCI make comments against it. We have heard the Chamber of Minerals and Energy make comments against it. We have heard the Energy Supply Association of Australia make comments against it. With the exception of people in this place, not too many people are in favour of the merger.

In my research, I found another story. The article written by Courtney Trenwith was on watoday.com.au on 23 April 2012 and is titled “Energy re-merger would see power price hike”. It states —

Re-merging WA’s power suppliers would lead to higher electricity prices and make the state wholly responsible for energy security, an independent report has found.

The state’s power suppliers have become so concerned about the prospect of a re-merger they have joined forces to establish a lobby group, WA Independent Power Association, which they say will fight for a competitive power industry.

Launching the association this morning the group released a report by Frontier Economics on the consequences of re-aggregation.

Electricity retailer Synergy and supplier Verve were separated from Western Power in 2006.

There have been rumblings since about the possibility of re-merging the trio, with some claiming the disaggregation had at least partially caused higher electricity prices, led to inefficiencies in Verve’s capacity and been financially detrimental to Verve and Synergy, and thus the state and general public.

However Frontier Economics found “none of these claims stand up to scrutiny”.

Re-merging the three state-owned enterprises would likely weaken the prospects for competition from the private sector as well as assign greater responsibility for energy security to the state.

There would likely be less investment in infrastructure eventually leading to a poorer performing network.

“The worry is that under the integration of Verve and Synergy the options for independent power producers would be foreclosed,” Frontier Economics economist Amar Breckenridge said.

...

Re-merging would save the companies \$5 million per year in corporate costs, amounting to only \$5 per customer or 0.4 per cent of a typical household bill.

Meanwhile inefficient practices due to less competition could increase prices.

That is one organisation that is happy to go on the record. It did a bit of work and got an independent report. It went on the record and said that re-merging would save the companies \$5 million a year in corporate costs. Even though the WA Independent Power Association went on the record and said that there would be these savings, I have not heard anything from the government about what would be saved from this re-merger. In fact, I am very sceptical of whether there will be any financial benefit to the state from re-merging the two entities, Verve and Synergy.

I have to say that Frontier Economics’ 2012 report titled “Proposed re-aggregation of Verve and Synergy: Report Prepared for the WA Independent Power Association Inc” is a good read. The executive summary was the part that I found most informative and helpful. I will quote from the report. It states —

Over the past decade, reforms have been progressively implemented in the Western Australian electricity sector, in a bid to develop the conditions for competition and for private investment. Both competition and private investment have been seen as means to achieve wider public policy aims, in particular, the promotion of economic efficiency through cost minimisation and least cost supply, more cost-reflective pricing, and a reallocation of risk away from the state and to the private sector.

The disaggregation of Western Power, and the creation of separate wholesale and retail entities in the form of Verve Energy and Synergy, respectively, was one of the mechanisms selected to achieve the objectives pursued by reform. The decision is consistent with the approaches adopted in other jurisdictions in Australia and overseas, where the unbundling of the incumbent state-owned monopolist was a necessary first step in the reform process. Given the specificities of the Western Australian market, including its size and remoteness, a number of other specific mechanisms were also adopted as part of the reforms.

It goes on to state —

Under the reforms, some \$2.6 billion had been invested in new generation capacity as at 2010, and Verve’s share of generation capacity declined from close to 90 per cent to below 60 per cent. At the same time, various reviews conducted by successive governments and the Economic Regulation Authority (ERA) are clear that competition is still a work in progress, notably in the retail sector. The ERA has also evinced concerns about the impact of recent policy decisions on the future development of competition, notably the termination of the displacement mechanism under the new vesting contract between Verve and Synergy.

There are a couple of more quotes that I want to get on the record because I think they are important. Just in case, I remind members that I am talking about the Electricity Corporations Amendment Bill 2013, and these quotes absolutely relate to the passage of that bill. These quotes should go on the record and should be heard by members in this place. The report continues —

Recent proposals made concerning the re-aggregation of Verve and Synergy thus come at a time when WA is seeking to build on the progress achieved to date through the reform process, but also where the fragile nature of competition and private sector participation have been highlighted. In particular, a decision to re-aggregate would remove one of the central elements of the reform process to date.

The motivations underpinning the proposals for re-aggregation have not been formally articulated, and are therefore not always clear. Various pronouncements by proponents of re-aggregation suggest that ... the vertical separation of Verve and Synergy has led to various inefficiencies, notably in the use of Verve’s capacity; that vertical separation is at least partly responsible for higher electricity prices and

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that re-aggregation would moderate other sources of pressure on prices; and that vertical separation has been financially detrimental to Verve and Synergy, and thus by extension to the state, as the shareholder, and the general public.

However, none of these claims stand up to scrutiny.

I could go on about this report, but I will not, other than to say that I encourage any of my colleagues who have not read the report to read it and take on board what has been said in the report. It is a very good report, and I commend the WA Independent Power Association for putting it together.

I am running out of time, but I want to put on the record a few other things about the bill. One thing in particular relates to section 14 of the Electricity Corporations Act 2005, which refers to the chief executive officer. It states —

- (4) It is a condition of service of the chief executive officer of the Regional Power Corporation that, while he or she holds office, his or her ordinary place of residence is to be in or near the town where the head office of that corporation is located.

Members would be right in thinking that they had not heard any National Party or regional members of Parliament make a point about this issue. It is a very important point, because clause 9 of this legislation will amend section 14. On clause 9, the explanatory memorandum states —

This clause removes the requirement for the Horizon Power Chief Executive Officer to be domiciled in or near the town where the head office is located. The head office of Horizon Power cannot be located within the area serviced by the South West Interconnected System.

It is an absolute shame that the government is seeking to make this amendment. I think the CEO of Horizon Power should have to live in the regions. I think that this organisation that provides power for the regions, particularly the north west of the state, should have somebody at its helm who lives on the ground in the community and who knows what the people in the community think. I think it was good foresight to include the original section in the Electricity Corporations Act 2005. I put on the record that I am greatly disappointed at this change that will be made. I am greatly disappointed in my friends from the National Party, who have not raised a peep of concern about this proposed amendment.

I want to put on the record a couple of other things. One relates to Horizon Power making the decision to make almost 50 per cent of its staff redundant, which Horizon has claimed will improve organisation of the utility company in the Pilbara. I struggle to work out how getting rid of 50 per cent of the staff of Horizon will benefit the regions and how it will provide better services for people in the regions. An article from the *North West Telegraph* of 20 November states —

A Horizon spokeswoman said other cuts would occur in the regions, but would not indicate if the utility's Pilbara workforce would be among those affected.

"I can't confirm at the moment as this is still being worked through," she said.

[Member's time extended.]

**Hon STEPHEN DAWSON:** I promise that I will not take up the whole time.

**Hon Alyssa Hayden:** Have you got more articles to read out?

**Hon STEPHEN DAWSON:** I have articles, annual reports, the Verve Energy and Synergy 2006 annual reports and the inaugural annual reports of the two organisations, which are a great read. I could quote from those if the parliamentary secretary would like. In fact, I can give her copies at the end of my speech. If she is that concerned about it, I will share it. I also have information from the annual report of the Western Australian Energy Ombudsman about complaints received by energy corporations. I could talk about those and bring them to the attention of members. Although the parliamentary secretary might jest about me reading from articles, I think it is important to get this stuff on the record. There is no doubt that Western Australians should know that there is very little support for this amalgamation—this reintegration—of these two entities.

Sorry, Mr Deputy President; I digressed. I was talking about the fact that Horizon Power will make redundant almost 50 per cent of its staff. What I was saying relates to the Electricity Corporations Amendment Bill 2013, and I will tell members why it does. Horizon Power is mentioned in the bill. As I was saying, I struggle to work out how making redundant half the staff of this organisation will benefit people in regional areas, particularly people in my electorate. I really struggle to work out how they will benefit from this decision. It is an appalling decision and I leave that point there.



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The other issue I want to get on the record relates to the fact that Verve has recently axed its renewable energy unit and shelved one of WA's biggest wind farms. Those initiatives were mentioned in the annual reports, which I am sure Hon Alyssa Hayden, after hearing me tonight, will seek copies of.

Several members interjected.

**Hon STEPHEN DAWSON:** They did not and I have to concentrate. I will not be sidetracked; I want to get these last few things out before my time runs out.

I am concerned about Verve axing its wind farm and its green unit. I am very concerned that state-owned utilities are not involved in sustainable development. Whatever people think about climate change—I know there is a range of views in this place—some of these wind farms and developments have been beneficial to the region and to the people in the Deputy President's (Hon Brian Ellis) electorate and in my electorate. It is a backward step to scrap this unit and indeed the wind farm.

It is a pity that Hon Martin Aldridge is not in this place tonight. He is there! But he cannot interject from that seat or he will get into trouble. I just make that point! I have seen it happen to someone else before. He can get Hon Robyn McSweeney to interject if he needs to.

**Hon Robyn McSweeney:** I am good at it!

**Hon STEPHEN DAWSON:** Hon Robyn McSweeney is very good at it!

Hon Martin Aldridge basically threw a bit of mud at us across the chamber and accused us of wasting money over the years. Let me remind this chamber —

**Hon Kate Doust:** Plastic cows and musical toilets!

**Hon STEPHEN DAWSON:** I will not even get into royalties for regions and the waste of money on plastic toilets and cows et cetera.

Several members interjected.

**Hon STEPHEN DAWSON:** I am concentrating on this bill and I want to remind the chamber about a press release the Leader of the Opposition put out on 19 June. It states —

The Barnett Government must finally be brought to account to explain its scandalous waste of a quarter-of-a-billion dollars on the failed Muja AB power station refurbishment.

WA Labor Leader Mark McGowan said the inexcusable blunder had left WA taxpayers with a massive financial loss and a decrepit power station that still does not work properly.

“This is a major Barnett Government scandal involving huge losses despite the Premier promising in May 2009 that it would not cost taxpayers a cent,” Mr McGowan said.

Hon Martin Aldridge talked about wasting money. This press release goes on to state —

“Unfortunately this is the latest in a growing list of Barnett blunders in the energy sector that will cost taxpayers almost \$1 billion dollars.

“These costly mistakes include the solar feed-in tariff affair (\$417m), the Pilbara underground power fiasco (\$100m), the Pilbara generation project (\$100m), the Synergy billing system failure (\$54m), the HEGT power station construction cost over-run (\$36m), the HEGT capacity penalties (\$20m) and the Mumbida wind farm (losses unspecified).”

Mr McGowan said the scandal was a tragic waste of taxpayer's money at a time when the Barnett Government is slashing front line services and jobs in hospitals, schools and police stations.

As I have said countless times during my comments this evening, there is very little support for this bill in the general community. There is very little support for this bill in the business community. The Chamber of Commerce and Industry of Western Australia, the Chamber of Minerals and Energy, the Energy Supply Association of Australia and the Independent Power Association are all against it. They do not support this bill. I thank you, Mr Deputy President, for allowing me to make a contribution this evening.

**HON ADELE FARINA (South West) [9.34 pm]:** I rise to make a contribution to the consideration of the second reading speech on the Electricity Corporations Amendment Bill 2013. I state up-front that I oppose the bill. The bill is part of what the government has asserted is a broader reform of the energy sector, yet it has failed to articulate the nature and scope of that broader reform and where this bill fits into that. We have been told that the bill will deliver the re-merger of Synergy and Verve; however, the reason for the re-merger, the government's policy intent with this bill and the benefits the re-merger will bring are not clear, because the

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government has failed to articulate the policy of the bill in the bill's second reading speech. In the second reading speech the minister detailed the skeletal framework of the bill with very little to no explanation of the detail of the regulatory framework created by the bill, because this detail is not covered in the bill. The government simply has not worked it out yet. Nevertheless, the government has introduced a bill into Parliament saying, "Trust us; we will work out the detail later and put into the regulations. Just do not rush us with the detail; we will get around to it at some stage." Without this detail and without government clearly articulating the policy of the bill, it is impossible for members to adequately and responsibly consider the bill, much less pass the bill. The second reading speech should clearly articulate the policy of the bill as it serves as extrinsic material for the purposes of statutory interpretations, if needed, by the courts. The second reading speech failed to deliver this critical instruction and the reason for this is largely that it has not been worked out yet and so is not contained in the bill. If this was not bad enough, the second reading speech refers those interested in any detail to the explanatory memorandum; however, this detail should really be contained in the second reading speech and not in the explanatory memorandum. It gets worse. When one turns to the explanatory memorandum to find out about the detail promised in the second reading speech, it is simply not there; that detail is missing even in the explanatory memorandum. No matter where we turn with this bill, whether it is the second reading speech or the explanatory memorandum, the reality is that the real detail of the bill is unknown because the government simply has not worked it out yet.

I have long expressed my concerns about the quality of explanatory memorandums, which in most cases explain very little and are not worth the paper they are written on. The explanatory memorandum for this bill falls into that category, although, to be fair to the writer of the explanatory memorandum, the reason it does so is largely because the detail is not in the bill and the government has not worked it out yet. It is bit much to ask that detail to be in the explanatory memorandum when it is not contained in the bill and the government is still working it out. The second reading speech for this bill sets a new low and I encourage the Leader of the House to arrange for instructions to be provided to drafters of second reading speeches and explanatory memorandums on what is required in each instrument, because we are certainly not getting that from this government. I will come back to these issues later.

Given the lack of policy articulation in the second reading speech, it is necessary to outline some of the relevant history to the bill. Members will know that despite voting in favour of the 2006 disaggregation of Western Power the Liberals have since become highly critical of it, blaming it for over-regulation of the sector and high electricity costs. Various members of the Liberals have from time to time raised suggestions, from a re-merger to changes to the regulatory framework and privatisation, as solutions for addressing the problems within the sector. This speculation has created uncertainty in the industry, which has thereby undermined competition in the industry.

In 2009, the Liberal government tabled the Oates report on Verve and its relationship with Synergy; the report looked at why Verve was losing as much money as it was—significant amounts of money. The Oates report identified a number of problems, including artificially low electricity prices; unforeseen maintenance costs that flowed, in part, from the requirement to resuscitate the decommissioned Muja AB power plant, which, as we all know, was mismanaged and cost hundreds of millions dollars; a market structure that penalised Verve for its balancing of the markets; and deficiencies in the vesting contract, which is an unbelievably complex document that governs financial flows between Verve and Synergy. These were just some of the main issues identified in the Oates report, which made a number of recommendations to address the problems identified. The Oates review also explored the future structure of Verve and Synergy, which is very relevant to our considerations today. Interestingly, the Oates report did not advocate for a re-merger of Verve and Synergy, stating that a re-merger, while having some advantages, would also bring with it a number of disadvantages.

The Oates report found that a merger would give government more control over the system, but it would also reduce competition and result in a greater level of state sponsorship in risk capital support. In effect, it would cost more and result in increases in electricity costs. Further, with appropriate improvements to market rules, the structure would deliver greater competition and reduce taxpayer exposure to the expensive exercise of building new power plants. That is the recommendation to government by the Oates report. The government's Oates report did not recommend a re-merger of Synergy and Verve. That is an important message for us to remember in our consideration today. Due to increasing speculation and confusion on the government's position on a re-merger and after a lot of pressure from industry for the government to declare its position, the then energy minister announced in 2009 that the government would prepare a strategic energy initiative, which would be the blueprint for the next 30 years. The blueprint, which was intended to be released in 2010, took longer than the government anticipated. It took a further two years to finalise and many hundreds of thousands of dollars. It was finally released in 2012. The blueprint, which sets out the strategic direction for the industry for the next

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30 years, said absolutely nothing about re-merging Verve and Synergy. At the time, the then energy minister confirmed a re-merger was not on the government's agenda. I repeat: it was not on the government's agenda.

During the 2013 state election campaign, the Liberals said absolutely nothing about dumping its blueprint for the energy sector or about re-merging Verve and Synergy if re-elected. Business and industry reasonably believed the issue had been put to bed, much to the relief of industry, as most of industry had raised serious concerns about the proposal to re-merge Synergy and Verve. They could rely on the fact that the government's own reports did not support the re-merger. Within about a month of winning government, Colin Barnett, not his newly appointed energy minister, announced to the shock and amazement of members on this side and industry that the government would re-merge Synergy and Verve. We all know the announcement was made contrary to expert advice provided in the government's own reports; without the Premier receiving substantial advice on its implications; contrary to industry concerns; and without consultation with key stakeholders. Based on the debacle that followed with the energy minister announcing government's intention to re-merge Synergy and Verve and after five years split them into two companies and then privatise the companies and the Premier saying there was no such plan to re-merge and privatise the utilities, it would appear that there was little or no prior communication between the minister and the Premier about the government's intention and government's strategic intent for the industry.

Perhaps the Premier's announcement was news to the energy minister and cabinet, as during that period the Minister for Energy acted as though he had been caught out. His actions were those of someone who had been caught unawares by the Premier's announcements. In making the announcement, the Premier declared the new merger entity would be effective as of 1 January 2014. The exact reasons for that particular date have never been articulated; it seems to be a date that was plucked out of the air. Despite this announcement, the government did not bring the bill before Parliament until late October. With the clock ticking, it proceeded to declare the bill urgent and pushed it through the other place. This government makes an announcement that states it will do something by 1 January but then takes until late October to introduce a bill into Parliament to effect that announcement. With the clock ticking fast, the government uses its numbers to ensure that the issue is pushed through Parliament.

Debate adjourned, pursuant to standing orders.